

GNP is a measure of the income produced that is received by Puerto Rican-owned factors of production. The difference between the two measures represents, for the most part, remittance of profits and interest income to U.S. and foreign investors. The trends in GDP and GNP are consistent with Puerto Rico's development strategy, which emphasizes long-term tax incentives to firms that locate in Puerto Rico see -- "Commonwealth of Puerto Rico -- Federal Tax Issues."

Also during the period between 1982 and 1996, unemployment in Puerto Rico generally declined, while the participation of Puerto Rican residents in the labor force increased. The unemployment rate in Puerto Rico was 23.5% in 1983, following the recession that affected the United States in 1981 and 1982, but declined in most years after 1983 to reach a low of 13.8% in 1995 and 1996. The labor force participation rate increased during this period from an average rate of 43% during the 1980s to an average of 46% during the 1990s.

Total nonagricultural employment in Puerto Rico grew from 660,000 in 1982 to 945,000 in 1996. Over this period, the share of manufacturing employment declined from 22.4% of the total to 16.3%, and the share of government employment fell from 36.2% to 32.6%. Manufacturing employment has actually fallen in absolute terms since it peaked in 1990. In contrast, during the same period the share of employment in the retail trade sector rose from 12% to 15.8%, and the share of the nonfinancial service sector rose from 13.3% to 18.5%.

The dominant sectors of the Puerto Rican economy are manufacturing and services. The manufacturing sector has experienced a basic change over the years as a result of an increased emphasis on offering incentives to higher-wage, capital-intensive industries. The Puerto Rican manufacturing sector currently consists of over 2,000 foreign and domestic manufacturing companies operating in industries such as electronics, apparel plastics/rubber, chemicals, and pharmaceuticals.

Over the past decade Puerto Rico has experienced significant growth in the services sector of the economy in terms of both income and employment. During the period between fiscal 1993 and 1997, the gross domestic product in the services sector increased at an annual average rate of 6.8%, while employment in this sector increased at an annual average rate of 3.7% during the period between fiscal 1994 and 1998. The services sector in Puerto Rico is diversified (including finance, insurance, real estate, wholesale and retail trade and hotel services among other services) and ranks second to manufacturing in its contribution to gross domestic product.

The Puerto Rican government continues to promote economic expansion through proactive measures directed at the development of manufacturing and the expansion and modernization of the island's infrastructure. An aggressive \$7.8 billion program is currently being undertaken by the governor of the island and is targeted at improving the Commonwealth's infrastructure. Specific targets of the investment include the Highway Authority and the Electrical Power Authority. Telecommunications has also been established as an important area of development. The government has also focused on six main areas to ensure future sustainable economic growth and social development in Puerto Rico: foreign trade, privatization, infrastructure investment, education reform, healthcare reform, and crime prevention/reduction.

## 2. FISCAL YEAR 1998

According to preliminary government figures gross national product expanded by 3% in fiscal year 1997/98 (July/June). However, private analysts, including the Economist Intelligence Unit (see "Puerto Rico Business Outlook," in Business Latin America, Economist Intelligence Unit, November 2, 1998) estimate growth at 2.5% or less. This slowdown is attributed to the massive devastation caused by Hurricane Georges, the worst storm to hit the island since 1928.

#### - Industrial Production

Manufacturing, which accounts for more than 40% of GNP, suffered hurricane-related production losses because of disruption to water and power supplies and average manufacturing employment fell by 4% to 146,300 in 1997/98 compared with the previous fiscal year. The Puerto Rico Development Company registered 149 projects that pledged investments of \$315 million in 1997/1998. However, only 17 new projects

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were registered in the first quarter of the current fiscal year in contrast with 36 in the same period in the previous fiscal year.

#### - Tourism

Tourism, a priority of the current administration, continued to grow. Puerto Rico received more than 4.1 million visitors in fiscal 1997/98, according to the most recent official figures. Total registrations at island hotels and inns climbed by 6.8% to 1.5 million, while spending by visitors advanced by 15% to \$2.2 billion, when compared with the previous fiscal year. Special incentives enacted in 1993 have fueled hotel construction throughout the island. Five major hotels projects have opened their doors recently and a 2% increase in the room tax will fund development of a new convention center in San Juan.

#### - Investment

Investment is stagnant in the face of reductions in federal tax incentives and continuing concerns over the island's competitiveness. Annual foreign direct investment is currently \$6.5 billion and is forecast to remain flat over the short-term. This trend will be partially offset by increased activity in the tourism sector and a couple of large infrastructure projects, such as the \$1 billion urban train system and a \$350 million "superaqueduct" to serve the San Juan area. Privatization of state-owned assets should also generate additional investment opportunities. Professional Services Group will assume full management of the troubled Puerto Rico Aqueduct and Sewer Authority under a \$500 million contract. In addition the privatization of government-owned hotels and hospitals is scheduled to move forward during the current fiscal year.

#### - Agriculture

Agriculture, which accounts for less than 1% of GNP, has been battered by droughts, floods, and hurricanes over the past four years, as well as by reductions in government incentives introduced in 1996. The latter benefited existing agricultural concerns but failed to attract foreign investment. Nonetheless, agricultural income rose slightly in fiscal 1997/98 to \$708.3 million from \$694.7 million in fiscal 1996/97. Local farmers organizations estimate losses of \$406.7 million resulting from Hurricane Georges.

#### - Employment

Average total employment increased by 26,000, or 2.3%, to 1,157,000 in fiscal 1997/98 from 1,131,000 in fiscal 1996/97. This translated into an average unemployment rate of 13.6% during fiscal 1997/98. The recent increase in the federal minimum wage, to \$5.15 per hour, could hurt business and investment prospects.

#### - Inflation

Official data show an increase of 5.7% in the consumer price index during fiscal 1997/98 -- much higher than the US inflation rate, which Puerto Rico usually tracks. This increase is partially explained by the destruction of domestic crops of tropical produce widely consumed by Puerto Ricans, while

plantations in the Dominican Republic, the usual alternate source of supply, suffered a similar fate.

- Credit

Credit conditions in Puerto Rico traditionally reflect those in the United States. The phase-out of federal tax incentives has eliminated a cheap source of financing in the form of deposits held at local banks by Section 936 beneficiaries, which had previously enjoyed a tax exemption on investment earnings. During fiscal 1997/98 such deposits declined by \$3.9 billion, or 55%, to \$3.1 billion from \$7.0 billion in fiscal 1996/97.

- Trade

During fiscal 1997/98 Puerto Rico had a positive balance of trade, with total exports amounting to \$30.3 billion against imports of \$21.8 billion. Imports of raw materials and finished products by US firms operating in the island made up as much as 85% of the total import bill, while approximately 90% of Puerto Rico's merchandise exports went to the United States.

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### 3. FEDERAL TAX ISSUES

One important element in the historic growth of the Puerto Rican economy, which is no longer available to corporations beginning operations in Puerto Rico, was Section 936 of the United States Internal Revenue Code. Corporations electing to file under Section 936 received a tax credit equal to what would have been owed as federal taxes. This effectively eliminated all United States taxes due from Puerto Rican-source income, whether it was passive or active. This combined with Puerto Rico's minimal local taxes provided a favorable tax environment for corporations. Manufacturing companies, particularly pharmaceutical companies, were active participants in the Puerto Rican economy as a result of Section 936.

In 1996 Congress eliminated the federal tax benefits of Section 936 for United States firms beginning operations in Puerto Rico. For companies with existing operations in Puerto Rico, certain provisions of Section 936 regarding active income credits were maintained for a period of 10 years with caps on the benefits in the latter part of the ten years. All federal tax credits associated with passive income were eliminated for new and existing companies.

The 1996 amendments also added a new Section 30A to the Code. Section 30A permits a "qualifying domestic corporation" that meets certain eligibility tests, to claim a credit against the federal income tax imposed on taxable income derived from sources outside the United States, from the active conduct of a trade or business in Puerto Rico or from the sale of substantially all the assets used in such business. This credit is limited to the sum of (a) 60% of qualified possession wages as defined in the Code, (b) a specified percentage of depreciation deductions, and (c) a portion of Puerto Rico income taxes paid by the qualified domestic corporation. Section 30A applies only to taxable years beginning after December 31, 1995 and before January 1, 2006.

During 1997, the government of Puerto Rico lobbied Congress for the enactment of a new permanent federal incentive program similar to what is now provided under Section 30A. The fiscal 1998 and 1999 budgets submitted by President Clinton to Congress included a proposal to modify Section 30A to (a) extend the availability of Section 30A indefinitely; (b) make it available to companies establishing operations in Puerto Rico after October 13, 1995; and (c) eliminate the income cap. This proposal was not included in the final version of the budget for those fiscal years.

On January 19, 1999, Senator Daniel Moynihan (D-NY) introduced a bill to

expand the Section 30A wage credit that is currently included in the Code. The bill removes provisions that limit, in taxable years beginning after 2001, the aggregate taxable income taken into account in determining the amount of the credit. Employers would generally be eligible for a tax credit equal to 60% of wages and fringe benefit expenses for employees located in Puerto Rico. New as well as existing employers would be rewarded for creating local jobs. Instead of expiring at the end of 2005, the credit would terminate three years later for tax years starting after 2008. Thus, businesses would have a 10 year period in which to take advantage of these incentives. As of April 7, 1999 no action had been taken by the Senate in regard to this bill.

Finally, on March 8, 1999, Representative Don Young (R-Alaska), chairman of the Resources Committee of the United States House of Representatives, announced that he is considering introducing a bill to impose federal income taxes on the residents of Puerto Rico, presumably including corporations, for the first time since the United States annexed the island in 1898. The government of Puerto Rico has announced its opposition to this measure. As of April 1, 1999 no action had been taken by Representative Young in connection with this matter.

In conclusion, it is not possible at this time to determine the long-term effect on the Puerto Rican economy of the enactment of the 1996 amendments to the Code. The government of the Commonwealth, however, has taken an active approach to the potential reduction of business activity caused by the elimination of Section 936. It plans to act as a facilitator to promote Puerto Rico's competitiveness and to help develop the island's capital markets. Corporate laws, labor laws, and the tax code have been reformed recently. Additional deregulation is planned. A new tax incentives law was enacted. Among the most important initiatives is a flat 7% income tax for qualifying manufacturing and service industries. The exemption lasts between 10 and 25 years depending on the corporation's location.

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## ANNEX B

## GLOSSARY OF CERTAIN TELECOMMUNICATIONS TERMS

Access Lines:	Revenue producing switched access lines in service serving the local market.
Airtime:	The actual time spent talking on a cellular telephone including the time in which a cellular telephone channel is occupied, the call set-up, call time and clear-down time.
Analog:	A transmission method employing a continuous electrical signal that varies in amplitude or frequency in response to changes in sound, light, position, etc.
Asynchronous Transfer Mode	A high speed transmission technology. Asynchronous Transfer Mode is a high bandwidth, low-delay connection-oriented packet-like switching and multiplexing technique used to transfer voice, video, images and character-based data.
Band:	A range of frequencies between two defined limits.
Bandwidth:	The range of electrical frequencies a device can handle; the relative range of frequencies that can be passed through a transmission

medium without distortion. The greater the bandwidth, the greater the information carrying capacity. Bandwidth is measured in Hertz.

Cell site: The location of a transmitting/receiving station serving a given geographic area in a cellular communications system. The area served by a cell site is referred to as a "cell".

Channel: A pathway for the transmission of information between a sending point and a receiving point.

Churn: The rate of customer defection, typically expressed as a percentage of the total customer base.

Digital Switching and Transmission Network: A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of discrete, distinct pulses to represent information, as opposed to the continuous analog signal.

Fiber Optics: A technology in which light is used to transport information from one point to another. Fiber optic cables are thin filaments of glass through which light beams are transmitted over long distances carrying enormous amounts of data. Modulating light on thin strands of glass produces major benefits including high bandwidth, relatively low cost, low power consumption, small space needs and total insensitivity to electromagnetic interference.

Private Branch Exchange: A switching system within an office building which allows telephone calls from outside to be routed directly to the individual instead of through a central number. The Private Branch Exchange also allows for calling within an office by way of four-digit extensions.

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Personal Communications Service:

In Canada and the United States, Personal Communications Service spectrum has been allocated for use by public systems at the 1.9GHz frequency range. It is expected that Personal Communications Service will initially consist primarily of enhanced voice, two-way data and text messaging services. Such Personal Communications Service applications are expected to be followed over time by services offering integrated voice, data, image and eventually perhaps video capability. Personal Communications Service systems operate in a similar manner to cellular systems.

Penetration: A cellular operator's subscribers within a

defined area divided by total POPs within that area.

POPs: Population equivalent. One person residing in a license area equals one POP.

Roaming: A service offered by mobile communications providers which allows a subscriber to make and receive calls using the telephone number assigned to the subscriber's handset while in the service area of another carrier.

Switch: A device that opens or closes circuits or selects the paths or circuits to be used for transmission of information. Switching is the process of interconnecting circuits to form a transmission path between users.

Time Division Multiple Access: Time Division Multiple Access is one of several technologies used to separate multiple conversations transmissions over a finite frequency allocation. Time Division Multiple Access employs digital techniques at the base station and in the cellular radio to subdivide each channel into time slots which can be assigned to different users. Voice, data and access information are converted to digital information that is sent and received in bursts over the time slots. These bursts can be encoded, transmitted, and decoded in a fraction of the time required to produce sound. The result is that only a fraction of the air time is used, and other subscribers can use the remaining time on a radio channel.

Trunk: A communications channel between two switches. "Trunking" calls reduces the likelihood of traffic blockage due to network congestion. A trunked system combines multiple channels with unrestricted access in such a manner that user demand for channels are automatically "queued" and then allocated to the first available channel.

Wireline Telephone: Conventional landline telephone which uses cable for transmitting signals.

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TELECOMUNICACIONES DE PUERTO RICO, INC.

\$300,000,000 6.15% SENIOR NOTES DUE 2002  
 \$400,000,000 6.65% SENIOR NOTES DUE 2006  
 \$300,000,000 6.80% SENIOR NOTES DUE 2009

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P R O S P E C T U S

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OCTOBER 27, 1999

Until January 25, 2000, all dealers effecting transactions in the exchange notes, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 20. INDEMNIFICATION OF DIRECTORS

Telpri is incorporated under the laws of the Commonwealth of Puerto Rico. Section 4.08 of the General Corporation Law of the Commonwealth of Puerto Rico provides that a Puerto Rico corporation may indemnify directors, officers, employees or agents involved in any litigation or proceeding involving the corporation if he or she acted in good faith and in a manner which the person reasonably deemed consistent with the best interests of the corporation or not opposed thereto, and with respect to any criminal proceeding, if he or she did not have reasonable cause to believe that his or her conduct was unlawful. The indemnity may include expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit. In the case of actions or suits other than those initiated by the corporation or initiated to protect the interests of the corporation, the indemnity may also include the amount of any judgement paid in settlement of such action. However, no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation may indemnify him/her against the expenses which such officer or director has actually incurred.

The Certificate of Incorporation of Telpri provides for the indemnification of directors and officers to the full extent permitted by the General Corporation Law of the Commonwealth of Puerto Rico, as it currently exists or may be hereafter amended.

Section 4.08 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him/her and incurred by him/her in any such capacity, arising out of him/her status as such, regardless whether or not the corporation would otherwise have the power to indemnify him/her under Section 4.08.

Telpri maintains and has in effect insurance policies covering all of its respective directors and officers against certain liabilities for actions taken in such capacities. These employees are also covered for specified liabilities under the Securities Act of 1933.

## ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

&lt;TABLE&gt;

&lt;C&gt; &lt;S&gt;

- 3.1\* Articles of Incorporation of Telecomunicaciones de Puerto Rico, Inc.
- 3.2\* Articles of Incorporation of Puerto Rico Telephone Company, Inc.
- 3.3\* Articles of Incorporation of Celulares Telefonica, Inc.
- 3.4\* By-Laws of Telecomunicaciones de Puerto Rico, Inc.
- 3.5\* By-Laws of Puerto Rico Telephone Company, Inc.
- 3.6\* By-Laws of Celulares Telefonica, Inc.
- 4.1\* Trust Indenture dated as of May 20, 1999 between Telecomunicaciones de Puerto Rico, Inc. and The Bank of New York.
- 4.2\* Purchase Agreement.
- 4.3\* Registration Rights Agreement.
- 5.1\* Opinion of Curtis, Mallet-Prevost, Colt & Mosle LLP.
- 5.2\* Opinion of O'Neill & Borges
- 10.1\* Amended and Restated Stock Purchase Agreement, dated as of May 27, 1998 and Amended and Restated as of July 21, 1998 by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC and GTE International Telecommunications Incorporated.

&lt;/TABLE&gt;

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&lt;TABLE&gt;

&lt;C&gt; &lt;S&gt;

- 10.2\* First Amendment to the Stock Purchase Agreement, dated as of January 4, 1999, by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC and GTE International Telecommunications Incorporated.
- 10.3\* Second Amendment to the Stock Purchase Agreement, dated as of January 29, 1999, by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC and GTE International Telecommunications Incorporated.
- 10.4\* Third Amendment to the Stock Purchase Agreement, dated as of March 2, 1999, by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, Telecomunicaciones de Puerto Rico, Inc. and Celulares Telefonica, Inc.
- 10.5\* Shareholders Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, Popular, Inc, Puerto Rico Telephone Authority and the shareholders of Telecomunicaciones de Puerto Rico, Inc., who shall from time to time be parties thereto as provided therein.
- 10.6\* Amended and Restated Puerto Rico Management Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., Puerto Rico Telephone Company, and GTE International Telecommunications Incorporated.
- 10.7\* Amended and Restated U.S. Management Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., Puerto Rico Telephone Company, and GTE International Telecommunications Incorporated.
- 10.8\* Amended and Restated Technology Transfer Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., Puerto Rico Telephone Company, and GTE International Telecommunications Incorporated.

- 10.9\* Non-Competition Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc, GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, Popular, Inc., Puerto Rico Telephone Authority, and the Government Development Bank for Puerto Rico.
- 10.10\* Share Option Agreement, dated as of March 2, 1999, by and among Puerto Rico Telephone Authority, Telecomunicaciones de Puerto Rico, Inc, GTE Holdings (Puerto Rico) LLC, and GTE International Telecommunications Incorporated.
- 10.11\* Stock Purchase Agreement, dated as of March 1, 1999, by and between Telecomunicaciones de Puerto Rico, Inc and Puerto Rico Telephone Authority.
- 10.12\* Trust Agreement of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc., dated as of March 2, 1999, by and between U.S. Trust, National Association and Telecomunicaciones de Puerto Rico, Inc.
- 10.13\* ESOP Loan Agreement, dated as of March 2, 1999, by and between the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc. and Telecomunicaciones de Puerto Rico, Inc.
- 10.14\* Stock Purchase Agreement, dated as of March 2, 1999, by and between Puerto Rico Telephone Authority and the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc.
- 10.15\* Pledge Agreement, dated as of March 2, 1999, by and between the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc. and Telecomunicaciones de Puerto Rico, Inc.
- 10.16\* Tag Along Agreement, dated as of March 2, 1999, by and among GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, and the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc.

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- 10.17\* \$500,000,000 Five-Year Credit Agreement, dated as of March 2, 1999, among Telecomunicaciones de Puerto Rico, Inc., as Borrower, Puerto Rico Telephone Company and Celulares Telefonica, as Guarantors, the Initial Lenders named therein, Citibank, N.A., as Administrative Agent, Bank of America National Trust and Savings Association, as Syndication Agent, and The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York, as Documentation Agents.
- 10.18\* Letter Amendment to the Five-Year Credit Agreement, dated May 7, 1999.
- 10.19\* \$200,000,000 Revolving Credit Agreement, dated as of March 2, 1999, among Telecomunicaciones de Puerto Rico, Inc., as Borrower, Puerto Rico Telephone Company and Celulares Telefonica, as Guarantors, Banco Popular de Puerto Rico, as Managing Agent and Administrative Agent, Scotiabank de Puerto Rico, as Co-Agent, and Banco Popular de Puerto Rico, Scotiabank de Puerto Rico, Banco Bilbao Vizcaya Puerto Rico and Banco Popular North America, as Initial Lenders.
- 10.20\* First Amendment to \$200,000,000 Revolving Credit Agreement.
- 12.1\* Statement Regarding Computation of Ratio of Earnings to Fixed Charges.
- 15.1\* Letter Regarding Unaudited Interim Financial Information.
- 21.1\* Subsidiaries of the Registrant.

- 23.1 Consent of Deloitte & Touche LLP.
  - 23.2\* Consent of O'Neill & Borges -- included in Exhibit 5.2.
  - 23.3\* Consent of Curtis, Mallet-Prevost, Colt & Mosle LLP -- included in Exhibit 5.1.
  - 24.1\* Power of Attorney -- Included in signature page.
  - 25.1\* Statement of Eligibility of Trustee.
  - 27.1\* Financial Data Schedule as of December 31, 1998.
  - 27.2\* Financial Data Schedule as of June 30, 1999.
  - 99.1\* Form of Letter of Transmittal and Tender Instructions for Holders of the 6.15% Senior Notes due 2002.
  - 99.2\* Form of Letter of Transmittal and Tender Instructions for Holders of the 6.65% Senior Notes due 2006.
  - 99.3\* Form of Letter of Transmittal and Tender Instructions for Holders of the 6.80% Senior Notes due 2009.
  - 99.4\* Form of Notice of Guaranteed Delivery for Holders of the 6.15% Senior Notes due 2002.
  - 99.5\* Form of Notice of Guaranteed Delivery for Holders of the 6.65% Senior Notes due 2006.
  - 99.6\* Form of Notice of Guaranteed Delivery for Holders of the 6.80% Senior Notes due 2009.
  - 99.7\* Exchange Agent Agreement
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 \* Previously filed.

#### ITEM 22. UNDERTAKINGS

Each undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any

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deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed

to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(5) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrants certify that they have reasonable grounds to believe that they meet all of the requirements for filing on Form S-4 and have duly caused this Registration Statement or amendment thereto, as the case may be, to be executed on their behalf by the undersigned, thereunto duly authorized, in the City of Guaynabo, Commonwealth of Puerto Rico, on October 27, 1999.

TELECOMUNICACIONES DE PUERTO RICO,  
INC.

By: /s/ JON SLATER

-----  
Name: Jon Slater  
Title: Chief Executive Officer

PUERTO RICO TELEPHONE COMPANY, INC.

By: /s/ JON SLATER

-----  
Name: Jon Slater  
Title: Chief Executive Officer

CELULARES TELEFONICA, INC.

By: /s/ JON SLATER

-----  
Name: Jon Slater  
Title: Chief Executive Officer

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## POWERS OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement or amendment thereto, as the case may be, has been signed by the following persons in the capacities stated herein on October 27, 1999.

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SIGNATURE -----	CAPACI -----
<C> /s/ JON SLATER ----- Jon Slater	<S> Chief Executive Officer
/s/ FRANK GATTO ----- Frank Gatto	Vice President -- Finar Chief Financial Off
/s/ ROBERT HUBERTY ----- Robert Huberty	Principal Accounting Of
* ----- Fares Salloum	Director
* ----- Alfred C. Giammarino	Director
* ----- Michael T. Masin	Director
* ----- Jon Slater	Director
* ----- Richard Carrion	Director
* ----- Angel Morey	Director
* ----- Lourdes M. Rovira	Director
* ----- Carlos Vivoni	Director
*By: /s/ FELIPE PIAZZA -----	
Name: Felipe Piazza Title: Treasurer and Attorney-in-Fact	

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## AUTHORIZED REPRESENTATIVE

TELECOMUNICACIONES DE PUERTO RICO, INC.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following person in the capacity stated herein on October 27, 1999.

&lt;TABLE&gt;

&lt;CAPTION&gt;

SIGNATURE

CAPACITY

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&lt;C&gt;

/s/ DONALD J. PUGLISI

&lt;S&gt;

Puglisi and Associates

Authorized Representative

-----  
Donald J. Puglisi

States

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## AUTHORIZED REPRESENTATIVE

PUERTO RICO TELEPHONE COMPANY, INC.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following person in the capacity stated herein on October 27, 1999.

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&lt;CAPTION&gt;

SIGNATURE

CAPACITY

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&lt;C&gt;

/s/ DONALD J. PUGLISI

&lt;S&gt;

Puglisi and Associates

Authorized Representative

-----  
Donald J. Puglisi

States

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## AUTHORIZED REPRESENTATIVE

CELULARES TELEFONICA, INC.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following person in the capacity stated herein on October 27, 1999.

&lt;TABLE&gt;

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SIGNATURE

CAPACITY

&lt;C&gt;

/s/ DONALD J. PUGLISI

&lt;S&gt;

Puglisi and Associates  
Authorized Representative  
States

Donald J. Puglisi

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## EXHIBIT INDEX

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&lt;CAPTION&gt;

SEQUENTIALLY  
NUMBERED  
PAGESITEM  
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- | ITEM<br>NUMBER | DESCRIPTION  | SEQUENTIALLY<br>NUMBERED<br>PAGES |
|----------------|--|-----------------------------------|
| 3.1*           | Articles of Incorporation of Telecomunicaciones de Puerto Rico, Inc.   |                                   |
| 3.2*           | Articles of Incorporation of Puerto Rico Telephone Company, Inc.   |                                   |
| 3.3*           | Articles of Incorporation of Celulares Telefonica, Inc.  |                                   |
| 3.4*           | By-Laws of Telecomunicaciones de Puerto Rico, Inc.   |                                   |
| 3.5*           | By-Laws of Puerto Rico Telephone Company, Inc.   |                                   |
| 3.6*           | By-Laws of Celulares Telefonica, Inc.  |                                   |
| 4.1*           | Trust Indenture dated as of May 20, 1999 between Telecomunicaciones de Puerto Rico, Inc. and The Bank of New York.   |                                   |
| 4.2*           | Purchase Agreement.  |                                   |
| 4.3*           | Registration Rights Agreement.   |                                   |
| 5.1*           | Opinion of Curtis, Mallet-Prevost, Colt & Mosle LLP.   |                                   |
| 5.2*           | Opinion of O'Neill & Borges  |                                   |
| 10.1*          | Amended and Restated Stock Purchase Agreement, dated as of May 27, 1998 and Amended and Restated as of July 21, 1998 by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC and GTE International Telecommunications Incorporated.  |                                   |
| 10.2*          | First Amendment to the Stock Purchase Agreement, dated as of January 4, 1999, by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC and GTE International Telecommunications Incorporated.   |                                   |
| 10.3*          | Second Amendment to the Stock Purchase Agreement, dated as of January 29, 1999, by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC and GTE International Telecommunications Incorporated.   |                                   |
| 10.4*          | Third Amendment to the Stock Purchase Agreement, dated as of March 2, 1999, by and among Puerto Rico Telephone Authority, Puerto Rico Telephone Company, GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, Telecomunicaciones de Puerto Rico, Inc. and Celulares Telefonica, Inc.   |                                   |
| 10.5*          | Shareholders Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, Popular, Inc, Puerto Rico Telephone Authority and the shareholders of Telecomunicaciones de Puerto Rico, Inc., who shall from time to time be parties thereto as provided therein. |                                   |

- 10.6\* Amended and Restated Puerto Rico Management Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., Puerto Rico Telephone Company, and GTE International Telecommunications Incorporated.
- 10.7\* Amended and Restated U.S. Management Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., Puerto Rico Telephone Company, and GTE International Telecommunications Incorporated.
- 10.8\* Amended and Restated Technology Transfer Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc., Puerto Rico Telephone Company, and GTE International Telecommunications Incorporated.

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ITEM NUMBER	DESCRIPTION	
<C>	<S>	<C>
10.9*	Non-Competition Agreement, dated as of March 2, 1999, by and among Telecomunicaciones de Puerto Rico, Inc, GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, Popular, Inc., Puerto Rico Telephone Authority, and the Government Development Bank for Puerto Rico.	
10.10*	Share Option Agreement, dated as of March 2, 1999, by and among Puerto Rico Telephone Authority, Telecomunicaciones de Puerto Rico, Inc, GTE Holdings (Puerto Rico) LLC, and GTE International Telecommunications Incorporated.	
10.11*	Stock Purchase Agreement, dated as of March 1, 1999, by and between Telecomunicaciones de Puerto Rico, Inc and Puerto Rico Telephone Authority.	
10.12*	Trust Agreement of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc., dated as of March 2, 1999, by and between U.S. Trust, National Association and Telecomunicaciones de Puerto Rico, Inc.	
10.13*	ESOP Loan Agreement, dated as of March 2, 1999, by and between the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc. and Telecomunicaciones de Puerto Rico, Inc.	
10.14*	Stock Purchase Agreement, dated as of March 2, 1999, by and between Puerto Rico Telephone Authority and the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc.	
10.15*	Pledge Agreement, dated as of March 2, 1999, by and between the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc. and Telecomunicaciones de Puerto Rico, Inc.	
10.16*	Tag Along Agreement, dated as of March 2, 1999, by and among GTE Holdings (Puerto Rico) LLC, GTE International Telecommunications Incorporated, and the Trust of the Employee Stock Ownership Plan of Telecomunicaciones de Puerto Rico, Inc.	
10.17*	\$500,000,000 Five-Year Credit Agreement, dated as of March 2, 1999, among Telecomunicaciones de Puerto Rico, Inc., as Borrower, Puerto Rico Telephone Company and Celulares Telefonica, as Guarantors, the Initial Lenders named therein, Citibank, N.A., as Administrative Agent, Bank of America National Trust and Savings Association, as	

Syndication Agent, and The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York, as Documentation Agents.

10.18\* Letter Amendment to the Five-Year Credit Agreement, dated May 7, 1999.

10.19\* \$200,000,000 Revolving Credit Agreement, dated as of March 2, 1999, among Telecomunicaciones de Puerto Rico, Inc., as Borrower, Puerto Rico Telephone Company and Celulares Telefonica, as Guarantors, Banco Popular de Puerto Rico, as Managing Agent and Administrative Agent, Scotiabank de Puerto Rico, as Co-Agent, and Banco Popular de Puerto Rico, Scotiabank de Puerto Rico, Banco Bilbao Vizcaya Puerto Rico and Banco Popular North America, as Initial Lenders.

10.20\* First Amendment to \$200,000,000 Revolving Credit Agreement

12.1\* Statement Regarding Computation of Ratio of Earnings to Fixed Charges.

15.1\* Letter Regarding Unaudited Interim Financial Information.

21.1\* Subsidiaries of the Registrant.

23.1 Consent of Deloitte & Touche LLP.

23.2\* Consent of O'Neill & Borges -- Included in Exhibit 5.2.

23.3\* Consent of Curtis, Mallet-Prevost, Colt & Mosle LLP -- Included in Exhibit 5.1.

24.1\* Power of Attorney -- Included in signature page.

25.1\* Statement of Eligibility of Trustee.

</TABLE>

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PAGES

ITEM NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGES
<C>	<S>	<C>
27.1*	Financial Data Schedule as of December 31, 1998.	
27.2*	Financial Data Schedule as of June 30, 1999.	
99.1*	Form of Letter of Transmittal and Tender Instructions for Holders of the 6.15% Senior Notes due 2002.	
99.2*	Form of Letter of Transmittal and Tender Instructions for Holders of the 6.65% Senior Notes due 2006.	
99.3*	Form of Letter of Transmittal and Tender Instructions for Holders of the 6.80% Senior Notes due 2009.	
99.4*	Form of Notice of Guaranteed Delivery for Holders of the 6.15% Senior Notes due 2002.	
99.5*	Form of Notice of Guaranteed Delivery for Holders of the 6.65% Senior Notes due 2006.	
99.6*	Form of Notice of Guaranteed Delivery for Holders of the 6.80% Senior Notes due 2009.	
99.7*	Exchange Agent Agreement	

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\* Previously Filed.

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<TYPE>EX-23.1

<SEQUENCE>2

<DESCRIPTION>CONSENT OF DELOITTE & TOUCHE LLP

<TEXT>

<PAGE> 1

[LETTERHEAD OF DELOITTE &amp; TOUCHE]

EXHIBIT 23.1

## INDEPENDENT AUDITORS' CONSENT

We consent to the use in this amendment No. 3 to the Registration Statement of Telecomunicaciones de Puerto Rico, Inc. on Form S-4 of our report dated February 25, 1999 (March 2, 1999 as to Note 13) with respect to the combined financial statements of Puerto Rico Telephone Company and Celulares Telefonica, Inc. as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, and of our report dated October 7, 1999 with respect to the consolidated financial statements of Telecomunicaciones de Puerto Rico, Inc. and subsidiaries as of June 30, 1999 and for the period from March 2, 1999 through June 30, 1999, and the combined financial statements of Puerto Rico Telephone Company, Inc. and Celulares Telefonica, Inc. as of December 31, 1998, and for the period from January 1, 1999 to March 1, 1999, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" and to the reference to our firm in the introduction to the Selected Historical Financial and Operational Data.

Deloitte & Touche LLP  
San Juan, Puerto Rico

October 26, 1999

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-----END PRIVACY-ENHANCED MESSAGE-----



verizon

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Support](#)

## **International Partner's Profiles - Americas**

The Americas and the Caribbean region are a vital part of both Verizon's exist and its growth strategy. Backed by the strength of telecom operations in Canada, Mexico, Venezuela, Puerto Rico and Dominican Republic, Verizon will continue opportunities in this rapidly growing region.

[\[ Americas \]](#) [\[ Europe \]](#) [\[ Asia \]](#) [\[ Global \]](#)[Argentina](#) | [Brazil](#) | [Canada](#) | [Dominican Republic](#) | [Mexico](#) | [Puerto Rico](#) | [Venezuela](#)

### **Argentina**

#### **Compania de Telefonos del Interior S.A.**

Compania de Telefonos del Interior S.A. (CTI), a consortium headed by Verizon International, designed and constructed mobile cellular networks to provide state cellular service in both the North and South regions of Argentina, an area which has a population of 16.5 million people in 23 provinces. As of March 31, 2000, CTI had more than 839,000 cellular customers.

CTI includes Verizon International (58.5 percent); Clarin (24.5 percent); Taicow (6 percent) and Deutch Bank (5 percent). In June 1999, Verizon International bid for a PCS license in Buenos Aires, enabling CTI to be the first to offer wireline service throughout the entire country of Argentina. Service was launched in May 2000 with a market of 13 million cellular clients in Buenos Aires alone.

CTI's headquarters is in Buenos Aires.

[CTI Web Site](#)

### **Brazil**

Verizon International has an office in Sao Paulo that is chartered with pursuing development opportunities within the Brazilian telecommunications market, keeping Verizon International's existing Latin American footprint. Verizon International provides telecommunications consulting services.

## Canada

### TELUS

Verizon International has a stake in a national full-service provider in Canada at the 1999 merger of BC Telecom and Telus Corp., two of that country's largest telecommunications companies. Verizon International owns 26.7 percent of the combined firm. TEL March 31, 1999 TELUS served approximately 4.4 million access lines and 1.1 million cellular subscribers.

### Quebec Tel

In May 2000, TELUS acquired a 69.9 percent interest in QuebecTel. Verizon International also has a 30.1 percent interest in Quebec Tel, which provides local, long-distance and wireless services to approximately 300,000 customers in the northeastern region of Quebec. Headquarters is in Vancouver, BC.

[TELUS Web Site](#)

[Quebec Tel Web Site](#)

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## Dominican Republic

### Compania de telefonos, C. por A.

Verizon International has owned and operated Compania de Telefonos, C. por A. (CODETEL) for more than 40 years. CODETEL provides local, wireless and international long-distance telephone service in the Dominican Republic. As of December 31, 2000 the company served 707,000 access lines, 277,000 cellular subscribers and 100,000 paging customers.

Headquarters is in Santo Domingo.

[CODETEL Web Site](#)

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## Mexico

### Grupo Iusacell, S.A. de C.V.

Iusacell, S.A. de C.V., is the leading independent wireless carrier in Mexico providing cellular, national paging, wireless local access, long distance, wireless Internet and data services. The company's mobile licenses cover over 80% of Mexico's population. Iusacell has increased its customer base to over 1.5 million customers. Verizon International assumed management control of the business.

Visit Iusacell Website at <http://www.iusa.net.mx>.

#### Facts:

- Headquarters Location: Mexico D.F.
- NYSE: CEL
- Chief Executive Officer/Managing Director: Tom Bartlett/Fulvio Del Valle
- Area Licensed (cellular only) Regions 5,6,7, & 9
- Total POPs (potential customers) 98 million
- Verizon International Ownership 37.2%
- Commercial Service Launch Date: 1989

**Product and Service Highlights:**

- Cellular Voice/Data, Wireless Local Access, Wireless Internet Access, National Paging, Satellite and Long Distance
- Number of Wireless Customers\*: 1.5 million
- Number of Employees: over 1,800

\* as of 4/1/00

For a detailed map and a fact sheet on this wireless company, you'll need an Acrobat Reader plug-in.

Click here to download a free copy of Acrobat Reader.

If you already have the plug-in installed, click here to see the map or to download it to your hard drive (For the MAC users: press and hold your mouse on the link until you see the "SAVE AS" option; for the PC users: click the right button of your mouse to see the "SAVE AS" option).

---

## **Puerto Rico**

### **Puerto Rico Telephone Company**

In March 1999, a Verizon International-led consortium, including Banco Popular de Puerto Rico, completed the purchase of a controlling interest in the Puerto Rico Telephone Company. Verizon International has a 40 percent ownership interest. PRT is the largest subsidiary of the Telecomunicaciones de Puerto Rico, Inc. (TELPRI), and is the largest provider of telecommunications services to both business and consumers, including local exchange, long distance, wireless, pay-phones, Internet and high technology such as ATM, ISDN and Frame Relay, among others. PRT serves approximately 1.5 million access lines, more than 298,000 cellular subscribers and approximately 1.5 million paging customers.

Headquarters is in San Juan.

Visit PRT's website at: <http://www.telefonicapr.com>

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## **Venezuela**

### **Compañía Anónima Nacional Telefonos de Venezuela**

Verizon International owns directly and through a multinational consortium, a 25 percent interest in Compañía Anónima Nacional Telefonos de Venezuela (CANTV), the largest telecommunications company in Venezuela. CANTV is a full-service telecommunications provider offering both wireless and domestic and international long-distance service throughout Venezuela. CANTV also offers paging services, public telephones, private networks, data services, directory services and other value-added services. As of March 31, 2000, CANTV had approximately 2.6 million access lines and 1.4 million cellular subscribers.

CANTV's headquarters is in Caracas.

[CANTV Web Site](#)

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Dee May  
Executive Director  
Federal Regulatory



1300 I Street N.W., Floor 400W  
Washington, DC 20005

Phone 202 515-2529  
Fax 202 336-7922  
dolores.a.may@verizon.com

February 22, 2001

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

***Re: Bell Atlantic Corp. and GTE Corp., CC Docket No. 98-184***

Dear Ms. Salas:

At the request of staff we are filing the attached letter sent to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau on January 26.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Dee May".

cc: Dorothy Attwood  
Anthony Dale  
Carol Matthey  
Mark Stone

Dee May  
Executive Director  
Federal Regulatory

Stamp + Return



RECEIVED

JAN 26 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

1300 I Street N.W., Floor 400W  
Washington, DC 20005

Phone 202.336.7824  
Fax 202.336.7922  
dolores.a.may@verizon.com

January 26, 2001

Ms. Dorothy Attwood  
Chief, Common Carrier Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Dear Ms. Attwood:

The purpose of this letter is to certify that Verizon Advanced Data Inc. (VADI), Verizon New York's and Verizon Massachusetts' separate Advanced Services affiliate, is using Verizon's OSS interfaces for more than 75% of the pre-ordering inquiries and ordering transactions it submits to Verizon in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont. Indeed, VADI uses the Common Object Request Broker Architecture (CORBA), the Web GUI and the Electronic Data Interchange (EDI) interfaces for all of its pre-ordering transactions and more than 96% of its ordering transactions in these jurisdictions.

The ability to perform both pre-ordering and ordering transactions using these interfaces has been developed after collaboration with competitive local exchange carriers in the DSL collaboratives in New York and through the Change Management Process. Both of these processes apply throughout the former Bell Atlantic footprint. Accordingly, Verizon New York, Verizon New England, Verizon Pennsylvania and Verizon Delaware will cease providing the OSS Discount specified in paragraph 25 of Appendix D to the Bell Atlantic/GTE Merger Order in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont as soon as practicable. We will provide CLECs with at least 10 days' notice of the cessation of the discount.

This certification is based on the attached Declarations of George S. Dowell, Vice President - Strategic Planning and Implementation for Verizon Advanced Data Inc., David J. Kelly, Director for Verizon, and the facts stated there.

If you have any questions, please do not hesitate to call me.

Sincerely,

cc: Carol Matthey  
Tony Dale  
Mark Stone